

Commonwealth of Virginia

Department of Mental Health, Mental Retardation and
Substance Abuse Services

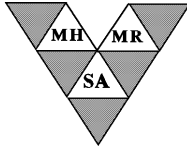
Annual Financial Report

Fiscal Year 2001



**Richard E. Kellogg
Commissioner**

*Written & Published by the
Division of Financial Administration
Office of Financial Reporting & Compliance*



The mission of the Department of Mental Health, Mental Retardation, and Substance Abuse Services is to improve the quality of life for people with mental disabilities and substance abuse problems by providing the very best services possible, at minimal burden to the taxpayer. The Department works to effectively treat those who need services and to prevent the development of mental disabilities and substance abuse problems. This is accomplished through a coordinated system of care that respects and promotes the dignity, rights, and full participation of individuals and their families.

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INTRODUCTION

We are pleased to provide the Annual Financial Report of the Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services (the "Department") for the fiscal year ended June 30, 2001. This report contains informative financial and statistical data about the Department. This report is also available on the Department's Web Page (www.dmhmrzas.state.va.us).

As has been our practice since 1987, the Department's annual financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as they apply to governmental health care organizations. The use of GAAP requires use of estimates and accruals to match revenues in the period earned and expenses in the period incurred. Readers should note that this report has not been prepared on the budgetary basis of accounting, a cash basis of accounting. Under the cash basis of accounting, revenues and expenditures are recorded at the time cash is actually received or disbursed according to the provisions of the Appropriation Act. Above all else, the financial report represents the Department's commitment to the accurate financial reporting of its activities.

Richard E. Kellogg, M.A.
Commissioner

Joy Yeh, CPA, Ph.D.
Assistant Commissioner
Financial Administration
October 25, 2001

FINANCIAL HIGHLIGHTS OF FISCAL YEAR 2001

The following narrative and graphical presentations discuss the significant changes in the Department's financial statements between FY 2000 and FY 2001. Also presented are accrual basis revenues and expenses for the past ten years (1992-2001). This historical data is also presented as adjusted for inflation using 2001 as the base year. The Department's financial statements are presented on pages 21-24.

BALANCE SHEET-RESTRICTED AND UNRESTRICTED FUNDS

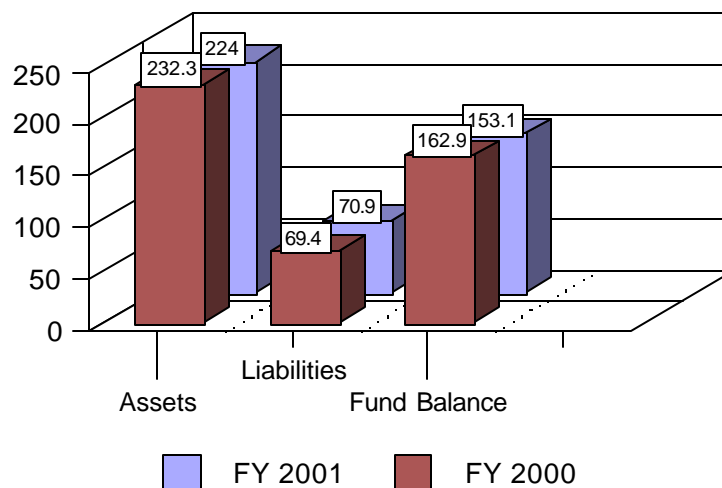
Assets decreased by \$8.3 million to \$224 million. This net decrease was primarily due to decreases in property, plant, and equipment of \$13.2 million, internally designated funds of \$7.1 million, and decreases in cost settlements receivable and other assets of \$3.5 million. Patient accounts receivable increased \$10 million and cash, investments, and inventories increased a total of \$5.5 million

Liabilities increased only \$1.5 million to \$70.9 million. The Unrestricted Fund Balance decreased \$5.3 million to \$145 million. This decrease was primarily a result of a writedown of equipment of \$6.8 million, reversions to the Commonwealth of \$5.3 million, and other transfers and the excess of revenues over expenditures of \$6.8 million.

The Restricted Fund Balance decreased \$4.5 million to \$8.1 million primarily as a result of the expenditure of carryover capital outlay balances.

ASSETS, LIABILITIES, FUND BALANCE

\$Millions



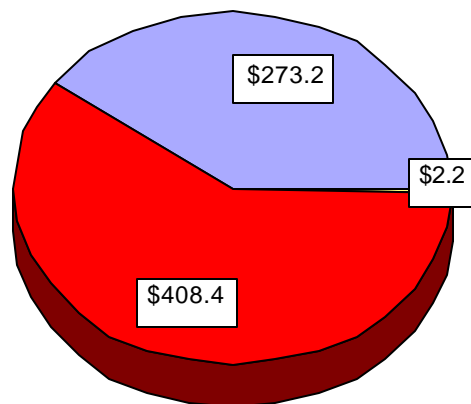
STATEMENT OF OPERATIONS-UNRESTRICTED FUNDS

Total revenues decreased \$6 million to \$684 million. Net Patient Revenue decreased \$10 million to \$273.2 million. Appropriations from the Commonwealth increased \$3.2 million to \$408.4 million.

The \$10 million decrease in Net Patient Revenue is attributable to several factors as indicated in Note 15 of the Financial Statements. Factors include Gross Patient/Resident Service Charge increases of \$34.5 million, Charity Allowance increases of \$18.1 million, Cost Settlement Receivable decreases of \$2.4 million and increased Contractual Adjustments of \$24 million.

FY 2001 REVENUES

\$684 Million Total Revenues
\$Millions



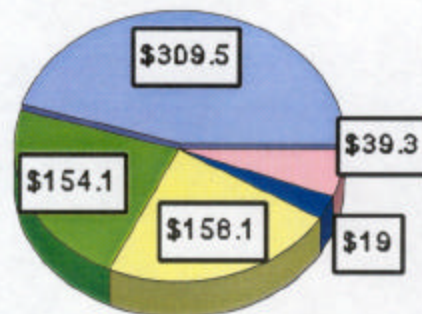
<div></div>	Patient Service Revenue [39.9%] (\$273.2m)
<div></div>	Gen Fund Appropriations [59.7%] (\$408.4m)
<div></div>	Other Revenue [.3%] (\$2.2m)

Total expenses increased by almost \$21 million to \$680 million. This increase was primarily attributable to increases in several expense programs, namely, State Health Services, Administration and Support Services, Financial Assistance for Health Services, and Depreciation Expense. Additionally, losses on the disposal of property and Equipment increased \$3.8 million.

FY 2001 EXPENSES

\$680 Million Total Expenses

\$Millions

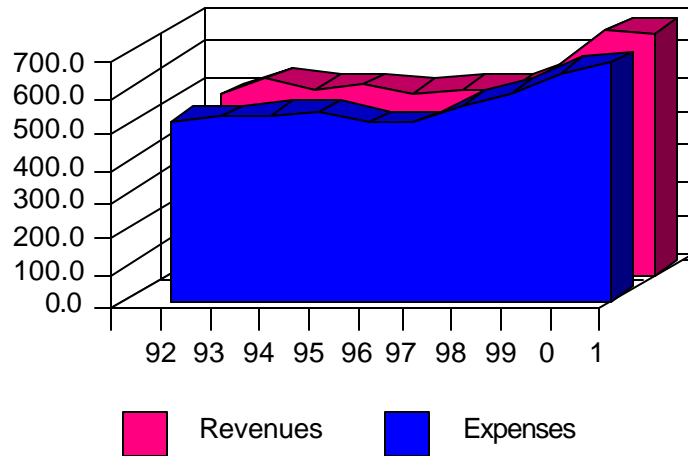
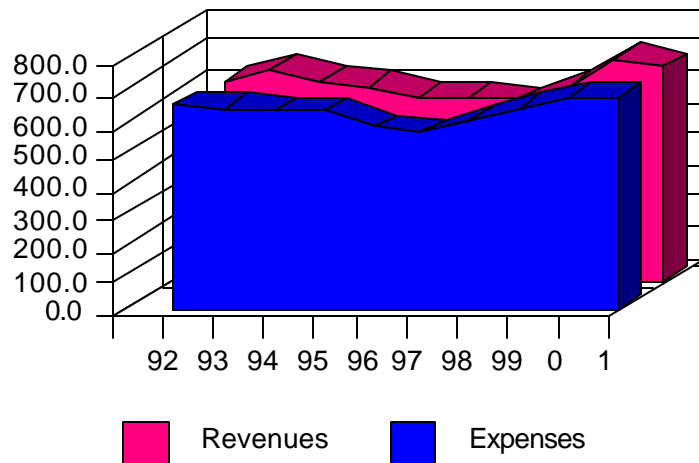


- State Health Services [46%] (\$309.5m)
- Admin & Support [23%] (\$154.1m)
- Financial Assistance (CSBs) [23%] (\$158.1m)
- Secure Confinement [3%] (\$19m)
- Remaining Programs [5%] (\$39.3m)

Expense Program Descriptions: see pages 34-35

TEN YEAR ANALYSES OF REVENUES AND EXPENSES (FY 1992-FY 2001)

The following charts present trends in revenues and expenses of the Department over the last ten years. These charts reflect both actual and inflation adjusted figures.

REVENUES & EXPENSES (Actual)**FY 1992-2001 in \$Millions****REVENUES & EXPENSES (CPI Adjusted)****FY 1992-2001 in \$Millions (2001=100)**

As may be noted from the preceding charts, total revenues in inflation adjusted terms in FY 1992 were \$637.7 million and in FY 2001 they were \$683.6 million. This represents an increase of \$45.9 million or 7%. Total expenses in inflation adjusted terms were \$654.9 million in FY 1992 and \$680.1 in FY 2001 representing an increase of \$25.2 million or 4%. The preceding charts generally show a leveling of both revenues and expenses of the Department in inflation adjusted terms. Presented below are the actual figures from the preceding charts and the ten year excess (deficiency) of revenues over expenses.

REVENUES & EXPENSES (ACTUAL)
FY 1992-2001 (\$Millions)

FISCAL YEAR	REVENUES (millions)	EXPENSES (millions)	EXCESS (DEFICIENCY)
1992	502.2	515.7	(13.5)
1993	550.0	523.4	26.6
1994	531.6	529.8	1.8
1995	533.8	538.7	(4.9)
1996	511.0	510.5	.5
1997	526.2	508.7	17.5
1998	529.6	557.6	(28.0)
1999	580.4	597.1	(16.7)
2000	693.3	659.4	33.9
2001	683.6*	680.1	3.5

ABOUT THIS REPORT

The remainder of this report presents information on the management team, a chronological history of certain key events, a description of the system characteristics, the detailed financial statements and notes, and the Schedule of Expenditures of Federal Awards.

* FY 2001 Revenues include (\$.342) million in nonoperating revenues.

JAMES S. GILMORE, III
GOVERNOR, COMMONWEALTH OF VIRGINIA

LOUIS F. ROSSITER, Ph.D.
SECRETARY OF HEALTH AND HUMAN RESOURCES

Anita Smith Everett, M.D.
Inspector General

Richard E. Kellogg
Commissioner

STATE BOARD MEMBERS (Oct. 2001)

HAMPTON, VIRGINIA

Joe N. Allen

FAIRFAX, VIRGINIA

Richard A. Owens

RICHMOND, VIRGINIA

Michael Flynn

Vice-Chairman

RICHMOND, VIRGINIA

Charles W. Gunn, Jr.

CHARLOTTESVILLE, VIRGINIA

Virginia R. Dofflemyer

Board Chairman

WILLIAMSBURG, VIRGINIA

Nancy Ward

RICHMOND, VIRGINIA

Marlene Butler

Board Secretary

POQUOSON, VIRGINIA

Doug Turner

CLINCHCO, VIRGINIA

Garnett Robinson

SPRINGFIELD, VIRGINIA

Elaine McConnell

CHESAPEAKE, VIRGINIA

William Pierce

SENIOR MANAGEMENT TEAM

James S. Reinhard, M.D.
Assistant Commissioner
Facility Management

Arne W. Owens
Deputy Commissioner
Chief of Staff

Julie A. Stanley, J.D.
Assistant Commissioner
Admin & Regulatory Compliance

James L. Evans, M.D.
Medical Director
Health & Quality Care

Charline A. Davidson
Director
Planning & Development

Joy Yeh, CPA, Ph.D.
Assistant Commissioner
Financial Administration

Martha S. Adams
Director
Mental Retardation

Paul R. Gilding
Director
Community Contracting

Robert L. Johnson
Director
Substance Abuse

Rosemarie B. Bonacum
Director
Quality Improvement

Martha J. Mead
Director
Legislation & Public Relations

Jim M. Martinez
Director
Mental Health

**CHRONOLOGICAL HISTORY OF THE VIRGINIA
DEPARTMENT OF MENTAL HEALTH, MENTAL RETARDATION AND
SUBSTANCE ABUSE SERVICES**

- 1773* Public Hospital for Persons of Insane and Disordered Minds (currently known as Eastern State Hospital) is established in Williamsburg. This facility is the first in the new world designed exclusively for treatment of people with mental disabilities.
- 1825* Western State Hospital is established in Staunton.
- 1841* Public Hospital for Persons of Insane and Disordered Minds changes its name to Eastern Lunatic Asylum.
- 1869* Central State Hospital is established in Howards Grove.
- 1885* Central State Hospital is moved to Petersburg.
- 1886* Southwestern State Hospital (currently known as Southwestern Virginia Mental Health Institute) is established in Marion.
- 1894* Eastern Lunatic Asylum changes its name to Eastern State Hospital.
- 1909* Catawba Hospital is established near Salem.
- 1910* The Virginia State Colony for the Epileptic and Feeble-minded (currently known as Central Virginia Training Center) is established in Lynchburg to serve people with mental retardation.
- 1911* Individual boards are created to govern each state hospital and the state colony in Lynchburg.
- 1918* Piedmont Hospital (currently Piedmont Geriatric Hospital) is established near Burkeville.
- 1929* DeJarnette Center is established in Staunton.
- 1936* The first state hospital board (currently known as the State Mental Health, Mental Retardation and Substance Abuse Services Board) is established.
- 1939* Petersburg Colony (currently known as Southside Virginia Training Center) is established to serve people with mental retardation.
- 1940* The Virginia State Colony for the Epileptic and Feeble-minded changes its name to the Lynchburg State Colony.
- 1942* The Department of Mental Hygiene and Hospitals is established in Richmond (currently known as the Department of Mental Health, Mental Retardation and Substance Abuse Services). Hugh C. Henry, MD is appointed the first Commissioner. Daily average patient census is 14,189.
- 1946* Joseph E. Barrett, MD is appointed second Commissioner. Daily average patient census is 13,656.

-
- 1954 The Lynchburg State Colony changes its name to the Lynchburg Training School and Hospital.
- 1957 Hiram W. Davis, MD is appointed as third Commissioner. Daily average patient census is 13,706.
- 1968 The General Assembly passes legislation (Chapter 10 of Title 37.1) allowing the establishment of community services boards. Northern Virginia Mental Health Institute is established in Falls Church.
- 1969 William Allerton, MD is appointed as fourth Commissioner. Daily average patient census is 14,501.
- 1971 The name of the Petersburg Colony is changed to the Petersburg Training School and Hospital.
- 1973 Northern Virginia Training Center and Southwestern Virginia Training Center are established in Fairfax and Hillsville, respectively. The Department of Mental Hygiene and Hospitals changes its name to the Department of Mental Health and Mental Retardation.
- 1974 The name of the Petersburg Training School and Hospital is changed to Southside Virginia Training Center.
- 1975 Southeastern Virginia Training Center is established in Chesapeake.
- 1976 By act of the General Assembly, the Division of Drug Abuse Control is merged with the Bureau of Drug Rehabilitation in the Department of Mental Health and Mental Retardation to form the Division of Substance Abuse. Leo Kirven, MD is appointed as fifth Commissioner. Daily average patient census is 10,227.
- 1977 Southern Virginia Mental Health Institute is established in Danville.
- 1979 Hiram Davis Medical Center is established in Petersburg.
- 1980 The General Assembly amends Chapter 10 to require all cities and counties to join or establish a community services board by July 1, 1983.
- 1981 Joseph Bevilacqua, Ph.D. is appointed as sixth Commissioner. Daily average patient census is 8,024.
- 1983 Statewide coverage of community services boards is achieved.
- 1985 The Lynchburg Training School and Hospital changes its name to Central Virginia Training Center.
- 1986 Howard M. Cullum is appointed as seventh Commissioner. Daily average patient census is 6,154.
- 1987 The Department of Mental Health and Mental Retardation becomes the Department of Mental Health, Mental Retardation and Substance Abuse Services.
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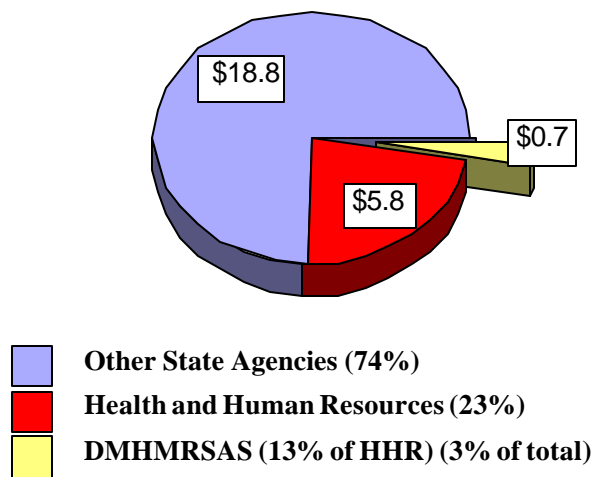
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- 1988* The General Assembly enacts a \$68 million community services initiative, the single largest infusion of state funding for community services. The Southside MHMR Support Unit is merged with Southside Virginia Training Center.
- 1990* King E. Davis, Ph.D. is appointed as eighth Commissioner. The geriatric unit at Western State Hospital and the adolescent unit at Eastern State Hospital are closed and patients transferred. Daily average patient census is 5,714.
- 1991* The Department implements Medicaid State Plan Option and mental retardation waiver with community services boards. The Virginia Treatment Center for Children is transferred to the Medical College of Virginia to more adequately serve the hospital's research needs.
- 1994* Timothy A. Kelly, Ph.D. is appointed as ninth Commissioner. Daily average patient census is 4,924.
- 1997* Richard E. Kellogg is appointed acting Commissioner. Daily average patient census is 4,176.
- 1998* Richard E. Kellogg is appointed as tenth Commissioner. The Hall-Gartland Commission completes its work and makes significant recommendations for change in the system of publicly funded mental health, mental retardation, and substance abuse services. This leads to a major rewrite of portions of the Code of Virginia dealing with community mental health, mental retardation, and substance abuse services. Daily average patient census is 4,048.
- 1999* Admissions to state hospitals continue to decline as medications used in community settings become more effective. Total admissions to state hospitals in FY 1999 declined by 1,193 or 19% to 6,316. Daily average patient census is 3,799.
- 2000* Admissions to state hospitals continue to decline. Total admissions to state hospitals in FY 2000 declined by 1,146 or 18.1% to 5,170. The daily average patient census is 3,505.
- 2001* Admissions to state hospitals increased modestly. Total admissions to state hospitals in FY 2001 increased by 154 or 3% to 5,324. The daily average patient census is 3,391. Dejarnette Center changes its name to Commonwealth Center for Children and Adolescents. The daily average patient census is 3,391.

**SYSTEM CHARACTERISTICS OF THE VIRGINIA DEPARTMENT OF MENTAL HEALTH
MENTAL RETARDATION AND SUBSTANCE ABUSE SERVICES**

The Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services (the "Department" or DMHMRSAS) consists of nine mental health facilities, five training centers for the mentally retarded, one medical center, and a Central Office. The Department also funds forty community services boards.

The Department is organized under the Secretary of Health and Human Resources. The Secretary of Health and Human Resources represented approximately 23% of the Commonwealth of Virginia's \$25.3 billion final operating appropriation for FY 2001. The Department was allocated approximately 13% of the total appropriations available to the Secretary of Health and Human Resources. For the fiscal year, the Department's final operating appropriation was \$739.6 million (excluding capital outlays) and final budgetary operating expenditures were \$726 million. The \$13.6 million difference between the operating appropriation (\$739.6m) and final budgetary expenditures (\$726m) was primarily due to three factors. First, expenditures for Federal Funds were \$9.4 million less than appropriations because the Federal fiscal year does not end until September 30, 2001 and these funds will be spent prior to September 30 and/or carried forward to the next fiscal year. The second and third factors are that General Fund expenditures were \$2.6m less than appropriations and that Special Fund expenditures were \$1.6m less than appropriations.

**FY 2001 COMMONWEALTH OF VIRGINIA BUDGET
\$Billions (Final Operating Appropriation \$25.3 B)**

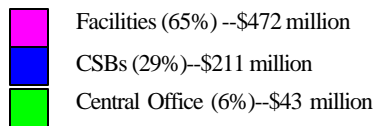
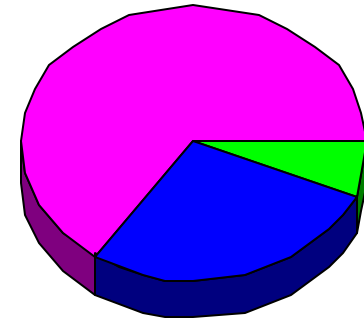


The following charts present FY 2001 final budgetary expenditures for all facilities, CSBs, and the Central Office. Also presented are expenditures by disability: Mental Health, Mental Retardation, Substance Abuse, Administration and Support, and the Central Office. After the charts on budgetary expenditures, total services system (DMHMRSAS) funding from all sources for FY 2001 is presented (pages 13-14). As a result of a continuing commitment to community-based care, the average patient/resident census within our facilities has dramatically declined over the past three decades ([see chart on page 19](#)).

FY 2001 BUDGETARY EXPENDITURES

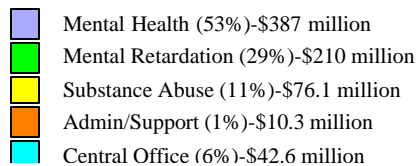
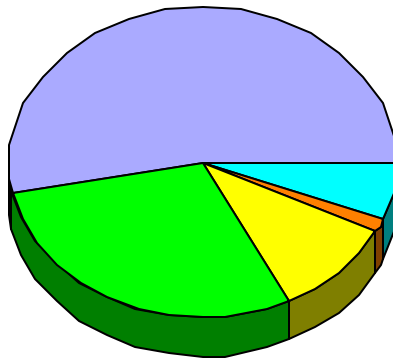
FACILITIES, CSBs, CENTRAL OFFICE

\$726 Million Total Expenditures



BY DISABILITY

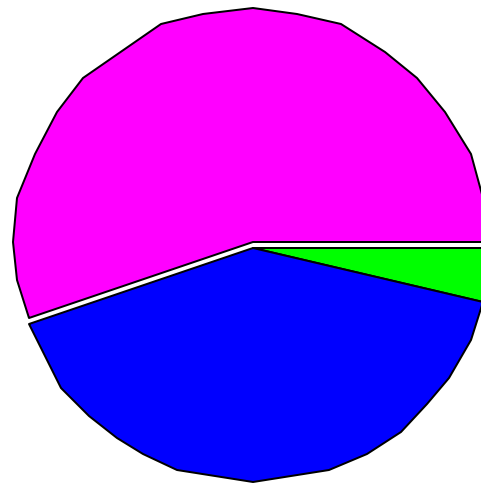
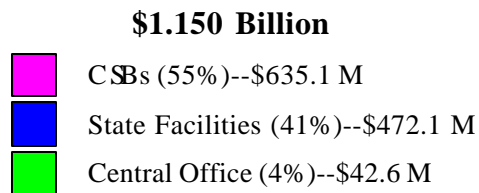
\$726 MILLION



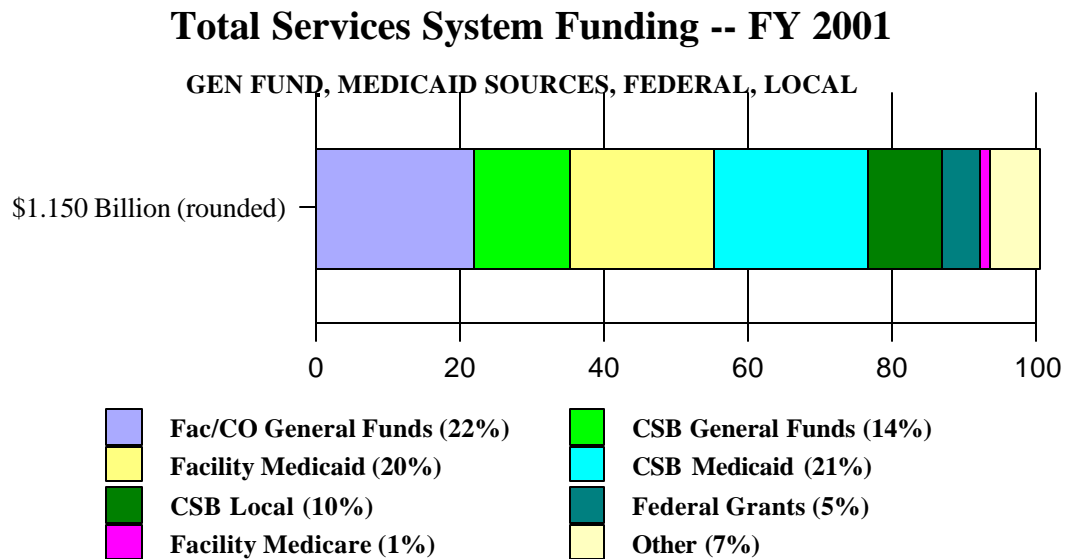
BUDGETARY EXPENDITURES (\$726 m) vs. GAAP EXPENSES (\$680 m): As noted in the Introduction, budgetary expenditures differ from GAAP expenses due to accounting estimates of revenues earned but not yet received and expenses incurred but not yet paid on the GAAP basis versus cash received and paid on the budgetary basis.

The following chart is provided to present a total services systems funding overview for FY 2001 to include the total funding that is available for publicly funded mental health, mental retardation and substance abuse services within the Commonwealth. Total Services Systems Funding is defined as appropriated amounts for the operation of DMHMRSAS Facilities and Central Office and CSBs. CSB funding includes amounts provided by the federal, state, and local governments, and includes medicaid, medicare, and other fees.

FY 2001--Total Services Systems Funding
CSBs, FACILITIES, CENTRAL OFFICE



The following chart presents total services systems funding for FY 2001 by funding source for Community Services Boards (CSBs), State Facilities, and the DMHMRSAS Central Office.



Funding Source	\$ Millions	%
Facility/CO Gen. Fund	\$248.3	22
CSB General Fund	158.2	14
Facility Medicaid	227.5	20
CSB Medicaid	246.5	21
CSB Local Govt.	118.9	10
Federal Grants	59.8	5
Facility Medicare	15.1	1
Other (fees/Insurance)	75.5	7
TOTAL	\$1,149.8	100

Source: DMHMRSAS Central Budget Office.

COMMUNITY SERVICES BOARDS

Community services boards were established through legislation passed by the General Assembly in 1968 (Chapter 10, Title 37.1 of the Code of Virginia). Local governments were directed to establish and maintain community mental health, mental retardation and substance abuse programs. These programs were to be administered in the most accessible and least restrictive settings. Community services boards serve as providers of services, client advocates, community educators, program developers, and planners on issues related to the provision of services. Listed below are the forty community services boards serving Virginia residents.

Virginia Community Services Boards

Alexandria	Highlands
Alleghany Highlands	Loudoun County
Arlington	Middle Peninsula-Northern Neck
Blue Ridge Behavioral Healthcare	Mount Rogers
Central Virginia	New River Valley
Chesapeake	Norfolk
Chesterfield	Northwestern
Colonial	Piedmont
Crossroads	Planning District 1
Cumberland Mountain	Portsmouth Dept. of Behavioral Healthcare Svcs.
Danville-Pittsylvania	Prince William County
Dickenson County	Rappahannock Area
District 19	Rappahannock-Rapidan
Eastern Shore	Region Ten
Fairfax-Falls Church	Richmond Behavioral Health Authority
Goochland-Powhatan	Rockbridge Area
Hampton-Newport News	Southside
Hanover County	Valley
Harrisonburg-Rockingham	Virginia Beach
Henrico Area	Western Tidewater

Twelve community services boards serve a single county or city while twenty-eight serve multiple jurisdictions. Board members are appointed by their locality and represent the interests of those individuals with mental disabilities or substance abuse problems within their locality. More than 8,300 direct and contract agency staff work within the community services board system serving 201,607 clients.

CENTRAL OFFICE

The Department's Central Office has oversight responsibility for the programmatic and administrative activities occurring within the state facilities and community services boards. This office promulgates and enforces policy and provides technical assistance to facilities and community services boards. The Department also licenses and regulates public and private programs and facilities. Joy Yeh, CPA, Ph.D., is the Assistant Commissioner for Financial Administration. Miguel A. Casasnovas, CGFM is the Central Office Finance Director.

STATE FACILITIES

The Department operates nine inpatient mental health facilities. These mental health facilities consist of one adolescent facility, two geriatric facilities, and six adult facilities. The Department also operates five training centers for people with mental retardation and one medical center. Overall, the Department has more than 400 buildings with a value in excess of \$225 million. As of June 30, 2001, the Department had 9,092 employees and the facility daily average patient census was 3,391. The daily average patient census for each facility is presented below. Employee and census information are also presented for a period spanning 41 years in the charts that follow.

Virginia's Mental Health Facilities**Facility****Description****Catawba Hospital**

Acting Director: Jack Wood
 Facility Administrator: James Campbell, CPA
 Finance Director: James Campbell, CPA

Located in Catawba, Virginia, this facility provides care to geriatric patients and short term care to adults from nearby communities. The FY 2001 daily average census was 98.

Central State Hospital

Director: Larry L. Latham, Ph.D.
 Facility Administrator: David Chu
 Finance Director: William Hawkins

Located in Petersburg, Virginia, this facility provides inpatient adult psychiatric services as well as forensic and adolescent psychiatric services. The FY 2001 daily average patient census was 289.

Eastern State Hospital

Director: John M. Favret
 Facility Administrator: Martin S. Kline
 Finance Director: Cliff Love

Located in Williamsburg, Virginia, this hospital provides adult, geriatric, acute and chronic psychiatric, behavioral and dual diagnosis to individuals with mental illness and chemical dependency. The FY 2001 daily average patient census was 493.

Commonwealth Center for Children and Adolescents

Director: William J. Tuell, RN, MSN
 Facility Administrator: Vickie Falls
 Finance Director: Vickie Falls

Located in Staunton, Virginia, this new facility provides highly specialized intensive diagnostic, evaluation and psychiatric treatment services to children between the ages of four and eighteen. The FY 2001 daily average patient census was 37.

Northern Virginia Mental Health Institute

Director: Mohamed El-Sabaawi, MD
Facility Administrator: Joseph M. Cottrell
Finance Director: Anne Baxter

Located in Falls Church, Virginia, this facility provides acute psychiatric care. A60-bed addition was completed recently. The FY 2001 daily average patient census was 119.

Piedmont Geriatric Hospital

Director: Willard R. Pierce, Jr.
Facility Administrator: H.Eugene Overton, CPA
Finance Director: Lynne Inge

Located in Burkeville, Virginia, this hospital provides care for geriatric patients. The FY 2001 daily average patient census was 123.

Southern Virginia Mental Health Institute

Director: Constance N. Fletcher, Ph.D.
Facility Administrator: Wade Hopkins, CPA
Finance Director: Wade Hopkins, CPA

Located in Danville, Virginia, this facility provides short term acute psychiatric care. The FY 2001 daily average patient census was 72.

Southwestern Virginia Mental Health Institute

Director: Gerald E. Deans
Facility Administrator: Roy G. Layne
Finance Director: John Pruett

Located in Marion, Virginia, this facility provides acute and long term care for adolescents, adults and geriatrics. The FY 2001 daily average patient census was 153.

Western State Hospital

Director: Jack Barber, M.D.
Facility Administrator: David Mawyer
Finance Director: Jon Chapman

Located in Staunton, Virginia, this hospital provides inpatient adult and geriatric psychiatric services. The FY 2001 daily average patient census was 258.

Virginia's Facilities for the Mentally Retarded

The Department's training centers provide residential care and training in such areas as language, self-care, independent living, socialization, academic skills and motor development. Each training center is described below.

Facility

Description

Central Virginia Training Center

Director: Judy Dudley
Facility Administrator: Charles Felmlee
Finance Director: Charles Felmlee

Located in Lynchburg, Virginia, this center provides inpatient services to residents who are severely and profoundly retarded. The FY 2001 daily average patient census was 650.

Northern Virginia Training Center

Acting Director: Mark Diorio, Ph.D.
Facility Administrator: none
Finance Director: Sobra Ewald

Located in Fairfax, Virginia, this center serves residents with moderate to profound mental retardation. The FY 2001 daily average patient census was 189.

Southeastern Virginia Training Center

Director: Robert D. Shrewsberry, Ph.D.
Facility Administrator: none
Finance Director: Carol Westphal

Located in Chesapeake, Virginia, this center serves individuals with severe to profound mental retardation. The FY 2001 daily average patient census was 194.

Southside Virginia Training Center

Acting Director: John A. Holland, MD
Facility Administrator: William Hawkins
Finance Director: Bob Kaufman

Located in Petersburg, Virginia, center serves individuals with severe to profound mental retardation and varying physical disabilities. The FY 2001 daily average patient census was 430.

Southwestern Virginia Training Center

Director: Dale Woods, Ed.D.
Facility Administrator: John W. Jones
Finance Director: Frances Martin, CGFM

Located in Hillsville, Virginia, this center serves persons with severe to profound mental retardation and multiple disabilities. The FY 2001 daily average patient census was 217.

Medical Center

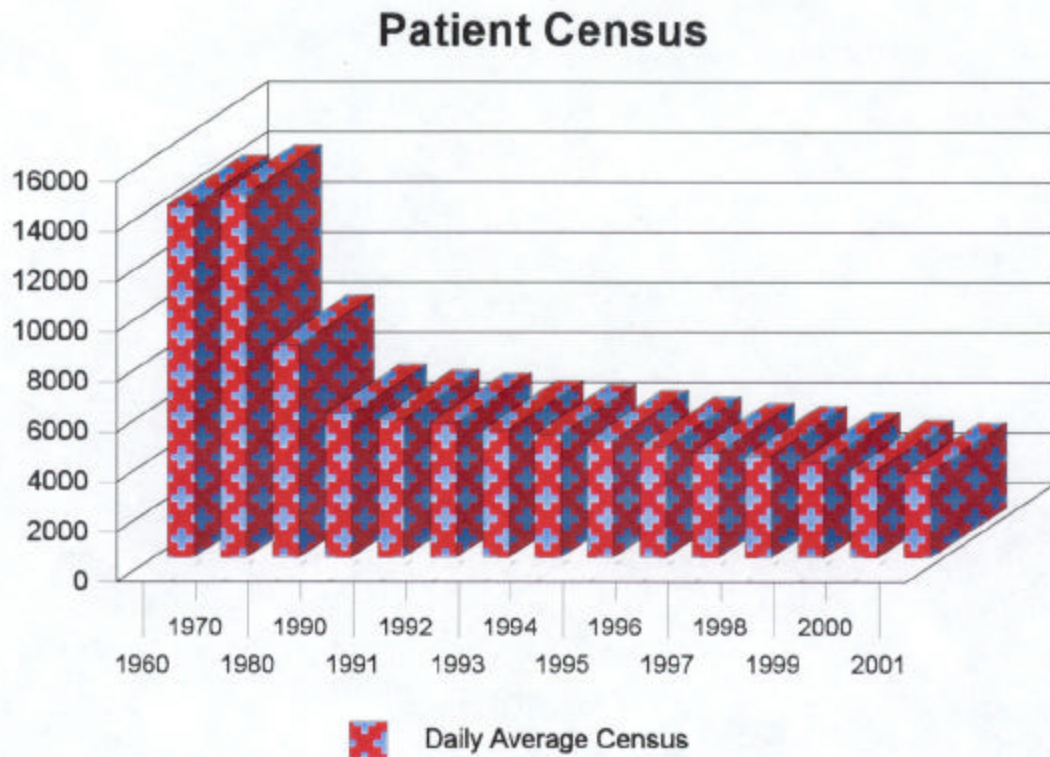
Hiram Davis Medical Center

Director: David A. Rosenquist
Facility Administrator: William Hawkins
Finance Director: Bob Kaufman

Located in Petersburg, Virginia the Department operates this center which serves the medical needs of patients and residents of Central State Hospital and Southside Virginia Training Center, respectively. The medical center also operates an aftercare pharmacy which provides medications to the patients and residents of the Petersburg Complex and clients of the forty community services boards. The FY 2001 daily average patient census for Hiram Davis Medical Center was 69.

STATE FACILITIES STATISTICS

The following chart presents selected patient census levels over the past 40 years. As can be noted the Daily Average Census levels have been steadily declining. In 1960, the Daily Average Census was 14,085 and in 2001 the Daily Average Census was 3,391.



Source: "Comparative Analysis-Operating Statistics and Costs" and "Ten Year Expenditure Analyses."
DMHMRSAS Central Budget Office

The following chart presents selected employment levels over the past 40 years. Employment levels have been declining since 1990. The 1990 level was 10,776 and the 2001 level was 9,092. These employment levels include all DMHMRSAS operations (facilities and central office).



Source: "Comparative Analysis-Operating Statistics and Cost" and "Ten Year Expenditure Analyses." DMHMRSAS Central Budget Office.

Note: Employment levels are employees on payroll at the end of the fiscal year. The average number of employees for FY 2001 was 9,118. Employment levels were low in the 1960's and 1970's due to the operation of fewer facilities by DMHMRSAS. In 1960 and 1970, DMHMRSAS operated 9 facilities. In 1980 there were 17 facilities and in 1990 there were 16 facilities. Currently, DMHMRSAS operates 15 facilities.

**Virginia Department of Mental Health, Mental Retardation
and Substance Abuse Services
Balance Sheet-Restricted and Unrestricted Funds
for the Fiscal Years Ended June 30, 2001 and 2000**

	2001	2000
Assets		
Current Assets:		
Cash, Cash Equivalents and Investments	\$13,671,310	\$9,392,122
Patient Accounts Receivable, net of estimated uncollectibles of 9,447,155 in 2001 and \$12,444,675 in 2000 (Note 1 D.)	33,625,873	23,544,766
Cost Settlements Receivable	34,033,948	36,481,359
Other Accounts Receivable	1,463,198	84,340
Inventories (Note 1 G.)	3,499,795	3,751,612
Prepaid Assets	<u>1,502</u>	<u>1,098,402</u>
Total Current Assets	<u>86,295,626</u>	<u>74,352,601</u>
Assets Limited as to Use:		
Internally Designated	9,248,520	16,377,792
Held by Trustees	<u>2,345,843</u>	<u>2,194,905</u>
Total Assets Limited as to Use (Note 3)	<u>11,594,363</u>	<u>18,572,697</u>
Property, Plant and Equipment, net (Note 4)	<u>126,167,594</u>	<u>139,434,018</u>
Total Assets	<u>\$224,057,583</u>	<u>\$232,359,316</u>
Liabilities and Fund Balance		
Current Liabilities:		
Accounts Payable	\$7,573,761	\$8,379,941
Accrued Payroll	23,533,754	22,446,335
Compensated Absences (Note 1 H.)	1,930,812	223,971
Deferred Revenue (Note 5)	19,669	753,892
Retainages Payable (Note 6)	518,852	758,413
Funds Held in Custody for Others	2,345,843	2,194,905
Capital Lease Obligations (Note 7)	19,340	12,182
Other Liabilities	<u>72,066</u>	<u>51,974</u>
Total Current Liabilities	<u>36,014,097</u>	<u>34,821,613</u>
Long Term Liabilities:		
Compensated Absences	34,835,617	34,469,280
Capital Lease Obligations (Note 7)	17,267	5,285
Long Term Loans Payable (Note 8)	=	<u>68,525</u>
Total Long Term Liabilities	<u>34,852,884</u>	<u>34,543,090</u>
Total Liabilities	<u>70,866,981</u>	<u>69,364,703</u>
Fund Balance:		
Unrestricted	144,994,683	150,308,442
Restricted	<u>8,195,919</u>	<u>12,686,171</u>
Total Fund Balance	<u>153,190,602</u>	<u>162,994,613</u>
Total Liabilities and Fund Balance	<u>\$224,057,583</u>	<u>\$232,359,316</u>

See accompanying notes to financial statements.

**Virginia Department of Mental Health, Mental Retardation
and Substance Abuse Services
Statement of Operations- Unrestricted Funds
for the Fiscal Years Ended June 30, 2001 and 2000**

	2001	2000
Revenue:		
Net Patient Service Revenue (Note 15)	\$273,256,078	283,218,394
Appropriations from the Commonwealth of Virginia (Note 13)	408,440,331	405,167,602
Other Revenue	<u>2,208,730</u>	<u>1,556,318</u>
Total Revenue	<u>683,905,139</u>	<u>689,942,314</u>
Expenses:		
State Health Services	309,507,069	304,153,160
Administration and Support Services	154,142,827	144,997,868
Financial Assistance for Health Services	158,166,019	154,846,630
Depreciation Expense	10,705,544	8,072,347
Secure Confinement	18,981,147	19,523,567
Instruction	6,347,345	6,550,822
Community Health Services	20,059,847	19,145,356
Local Facility Expenses and Other Expenses	465,435	235,952
Regulation of Public Facilities	1,100,704	1,056,768
Health Research and Planning	572,869	635,856
Personnel Management	-	42,549
Vending Facilities	142,211	134,968
Individual Family Services	-	<u>6,250</u>
Total Expenses	<u>680,191,017</u>	<u>659,402,093</u>
Operating Income	3,714,122	30,540,221
Nonoperating Income	93,730	50,592
Gain (Loss) on Disposal of Property and Equipment	<u>(436,664)</u>	<u>3,360,806</u>
Excess (Deficiency) of Revenues Over Expenses	<u>3,371,188</u>	<u>33,951,619</u>
Increase (Decrease) in Unrestricted Fund Balance	<u>\$3,371,188</u>	<u>\$33,951,619</u>

[See accompanying notes to financial statements.](#)

**Virginia Department of Mental Health, Mental Retardation
and Substance Abuse Services
Statement of Changes in Fund Balance-
Restricted and Unrestricted Funds
for the Fiscal Year Ended June 30, 2001**

	Unrestricted	Restricted
Fund Balance at July 1, 2000	\$150,308,442	\$12,686,171
Excess Revenues Over Expenses	3,371,188	
Transfers from Restricted Funds	3,221,863	
Cash Transfers Out	(25,789)	
Transfers to other State Agencies	328,920	
Other Cash Transfers		2,033,317
Reversions to the Commonwealth	(5,325,932)	
Other Revenue		105,674
Cash Transfers In		1,981,141
Federal Grant Revenues		59,745,834
Restricted Donations		113,368
Appropriations from the Commonwealth		5,781,498
Revenue Bond Proceeds		1,975,366
Interest Income		13,499
Restricted Expenses		(73,018,086)
Transfers to Unrestricted Funds		(3,221,863)
Write Down of Equipment	(6,884,009)	
Transfers from Unrestricted Funds	<u>-0-</u>	<u>-0-</u>
Fund Balance at June 30, 2001	<u>\$144,994,683</u>	<u>\$8,195,919</u>

[See accompanying notes to financial statements.](#)

**Virginia Department of Mental Health, Mental Retardation
and Substance Abuse Services
Statement of Cash Flows-Restricted and Unrestricted Funds
(Direct Method)
for the Fiscal Years Ended June 30, 2001 and 2000**

	2001	2000
Cash Flows from Operating Activities:		
Appropriations from the Commonwealth	\$408,440,331	\$405,167,602
Payments from Third Party Providers and Others	266,649,333	261,480,648
Restricted Revenues (Federal)	57,815,340	6,264,421
Restricted Donations	219,042	126,077
Other Operating Revenue	1,019,447	2,324,382
Interest Income	13,499	14,320
Cash Payments for Personal Services	(391,448,313)	(372,742,352)
Cash Payments to Fund Community Programs	(211,310,163)	(215,372,408)
Cash Payments for Materials and Supplies	(58,069,313)	(52,202,453)
Cash Payments for Contract Services	(42,766,563)	(44,590,007)
Cash Payments for Insurance and Other Continuous Charges	(16,697,313)	(19,629,697)
Cash Payments for Other Charges	<u>(6,736,300)</u>	<u>(6,312,540)</u>
Net Cash Provided (Used) from Operations	<u>7,129,027</u>	<u>14,527,993</u>
Cash Flows from Noncapital Financing Activities:		
Reversions to the Commonwealth	(5,325,931)	(1,885,552)
Net Patient/Resident Fund Transfers	150,938	49,680
Temporary Treasury Loan	17,000,000	-
Repayment of Temporary Treasury Loan	(17,000,000)	(2,766,700)
Net Cash Advances for Local Purchases	22,586	9,372
Other Cash Transfers In (Out)	2,359,774	(7,547,497)
Nonoperating Revenue	<u>93,731</u>	<u>50,592</u>
Net Cash Provided (Used) from Noncapital Financing Activities	<u>(2,698,902)</u>	<u>(12,090,105)</u>
Cash Flows from Capital Financing Activities:		
Capital Appropriations	5,781,499	13,421,076
Receipts from Bond Trustee	1,975,366	2,051,671
Net Cash Transfers		6,053,342
Plant and Property Improvements	<u>16,843,952</u>	<u>(10,573,819)</u>
Net Cash Provided (Used) from Capital Financing Activities	<u>(7,129,271)</u>	<u>10,952,270</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$(2,699,146)</u>	<u>\$13,390,158</u>
Cash and Cash Equivalents at Beginning of Year	<u>7,964,819</u>	<u>14,574,661</u>
Cash and Cash Equivalents at End of Year	<u>\$25,265,673</u>	<u>\$27,964,819</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements represent the activities of the Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services for the fiscal year ended June 30, 2001. The financial statements presented include the fifteen state operated facilities, a Central Office, and funding for forty community services boards. These State facilities are listed below as follows:

<u>Facility</u>	<u>Location</u>
Central State Hospital	Petersburg, VA
Eastern State Hospital	Williamsburg, VA
Southwestern Virginia MH Institute	Marion, VA
Western State Hospital	Staunton, VA
Central Virginia Training Center	Lynchburg, VA
Commonwealth Center for Children & Adolescents	Staunton, VA
Central Office	Richmond, VA
Southeastern Virginia Training Center	Chesapeake, VA
Catawba Hospital	Catawba, VA
Northern Virginia Training Center	Fairfax, VA
Southside Virginia Training Center	Petersburg, VA
Northern Virginia MH Institute	Falls Church, VA
Piedmont Geriatric Hospital	Burkeville, VA
Southwestern Virginia Training Center	Hillsville, VA
Southern Virginia MH Institute	Danville, VA
Hiram Davis Medical Center	Petersburg, VA

B. Proprietary Fund Accounting

The Virginia Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS) utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. Financial statement presentations are based upon the AICPA Audit Guide for Health Care Organizations.

C. Net Patient Service Revenue

Patient service revenue is recorded at scheduled rates when services are rendered. Allowances and provisions for uncollectible accounts and contractual adjustments are deducted to arrive at net patient service revenue as are charges for charity services.

D. Uncollectible Accounts

The Department records a provision for uncollectible accounts during the period in which collection is considered doubtful.

E. Settlements Due To/From Third-Party Programs and Contractual Adjustments

A significant portion of the Department's services are rendered to patients covered by Medicare, Medicaid, or Trigon. These third-party payers have entered into contractual arrangements with the Department for reimbursement of services provided to patients in specific certified components of the Department's individual facilities. Generally, the Department is reimbursed for patient services by these third-party payers at the lower of cost or charges or at prospectively determined rates in the case of certified components that provide inpatient services. Throughout the year, the third-party payers reimburse the Department at a prearranged tentative payment amount.

In accordance with the third-party payor agreements, the difference between covered charges, whether based upon allowable costs of services or prospectively determined rates, and the Department's standard billing rates results in contractual adjustments. Contractual adjustments are recorded as deductions from patient service revenue in the period in which the related services are rendered.

The annual settlements for reimbursement of patient services covered by third-party programs are determined through cost reports which are subject to audit and retroactive adjustments by these third parties. The settlements receivable or payable from third-party programs are recorded in the accompanying financial statements.

F. Investments

Investments are valued at cost or fair market value when received if donated.

G. Inventory

Inventory is generally valued at average cost. DMHMRSAS inventory consists of the following: drugs, medical supplies, materials, food supplies, petroleum/fuel oil, housekeeping and laundry supplies, personal care items and clothing, and office supplies. Adjustments have been made in order to report inventory amounts in accordance with the consumption method.

H. Compensated Absences

Compensated absences reflected in the accompanying financial statements represent the amounts of vacation, sick and compensatory leave earned by employees of the Department, but not taken at June 30, 2001. The amount reflects all earned vacation, sick and compensatory leave payable under the Commonwealth of Virginia's leave policies.

2. CASH AND INVESTMENTS

The following information is disclosed regarding cash and investments maintained by the Department.

A. Cash with the Treasurer of Virginia

All State funds of the Department are maintained by the Treasurer of Virginia pursuant to Section 2.1-77, et seq., Code of Virginia (1950), as amended, who is responsible for the collection, disbursement, custody and investment of State funds. Each fund's equity in pooled State funds is reported as "Cash with the Treasurer of Virginia" on the balance sheet and is not categorized as to credit risk.

B. Investments

Certain deposits and investments are held by the Department or are represented by specific identifiable investment securities maintained by the Treasurer of Virginia. Such deposits and investments are reported separately from cash with the Treasurer as investments. Short term investments represent investments which mature within one year or less. Investments with a maturity in excess of one year are considered long term investments.

Statutes authorize the investment of funds held by the Department in obligations of the Commonwealth, Federal government, other States or political subdivisions thereof, Virginia political subdivisions and the International Bank of Reconstruction and Development and the Asian Development Bank. In addition, the Department may invest in prime quality commercial paper rated prime 1 by Moody's Investment Service or A-1 by Standard and Poor's Incorporated, overnight term or open repurchase agreements and money market funds comprised of investments which are otherwise legal investments of the Department.

The Department's investments, including short-term investments, are categorized below to give an indication of the level of risk assumed by the Department at June 30, 2001. Credit risk is the risk that the Department may not be able to obtain possession of its investment instrument or investments which are insured or registered or for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the Department's name. The market value of the Department's investments at June 30, 2001 was equal to the carrying value of such investments.

The Department's investments are categorized below by credit risk. The three types of credit risk are:

- | | |
|--------------------|---|
| <u>Category 1:</u> | Insured or registered securities or securities held by the Department or its agent in the Department's name. |
| <u>Category 2:</u> | Uninsured and unregistered, with securities held by the counterparts' trust department or agent in the Department's name. |
| <u>Category 3:</u> | Uninsured and unregistered, with securities held by the counterparts, or by its trust department or agent but not in the Department's name. |

**Schedule of Cash Equivalents
and Investments**

As of June 30, 2001

	<u>Category</u>			
	1	2	3	Carrying Amount
U.S. Treasury and Agency Securities	\$25,500	-0-	-0-	\$25,500
Common and Preferred Stocks	1,000	-0-	-0-	1,000
Corporate Notes	1,379	-0-	-0-	1,379
Negotiable CDs	52,982	-0-	-0-	52,982
Repurchase Agreements			\$152,292	152,292
	<u>\$80,861</u>	<u>-0-</u>	<u>\$152,292</u>	233,153
Investments not Subject to Categorization:				
Money Market Funds				110,432
State & Local Government Investment Pool (LGIP)				<u>2,598,074</u>
Total Cash Equivalents and Investments				<u>\$2,941,659</u>

Cash not with the Treasurer of Virginia amounts to \$1,367,012 and the bank balance is \$1,556,435. The entire bank balance is either collateralized in accordance with the Code of Virginia (Section 2.1-359) or is insured by the Federal Deposit Insurance Corporation (FDIC).

3. ASSETS LIMITED AS TO USE

Assets Limited as to Use are for two primary purposes. The first purpose is for capital maintenance and construction. These funds are held with the Treasurer of Virginia. The second purpose is for discretionary use by DMHMRSAS patient/residents. These funds are held in trust in local bank accounts throughout the State.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost or estimated historical cost. The Department capitalizes expenditures for equipment if the equipment is separate, has a multi-year life and has a value or unit acquisition cost in excess of \$1,500 at the date of acquisition (for State Hospitals and Training Centers). The capitalization dollar limit at the Department's Central Office is \$5,000.

Depreciation on property, plant and equipment is computed over the estimated useful lives of the assets based upon the straight line method of depreciation. The general range of estimated useful lives is fifteen to forty years for buildings and fixtures and three to fifteen years for equipment. A summary of changes in fixed assets is presented below:

	<u>Balance at July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2001</u>
Land	\$ 14,898,854	\$ -	\$ -	\$ 14,898,854
Land Improvements	9,856,478	2,512,038	72,045	12,296,471
Equipment	50,258,909	1,537,930	2,009,534	49,787,305
Buildings	228,825,671	1,200,333	17,917	230,008,087
Construction in Progress	14,546,342	2,537,614	3,028,122	14,055,834
PP&E Writedown	-	-	6,884,009	<6,884,009>
Accumulated Dep.	<178,952,236>	<10,705,544>	<1,662,832>	<187,994,948>
Total	<u>\$139,434,018</u>	<u>\$<2,917,629></u>	<u>\$ 10,348,795</u>	<u>\$ 126,167,594</u>

5. DEFERRED REVENUE

Deferred Revenue represents dollars received at June 30, 2001 but not yet earned. This amount is reported in the restricted fund balance. It is composed of federal grant money received but not yet spent.

6. RETAINAGES PAYABLE

At June 30, 2001, \$518,852 was held by DMHMRSAS as retainage on various contracts for work which had been performed. The retainage will be remitted to the various contractors upon satisfactory completion of the various contracts.

7. CAPITAL LEASE OBLIGATIONS

The Department of Mental Health, Mental Retardation and Substance Abuse Services is the lessee of capital equipment under capital leases expiring in various years through 2004. The assets under capital leases are recorded as fixed assets at the lower of the net present value of the minimum lease payments during the lease term or the fair market value of the asset. For all capital leases, the minimum lease payments together with the present value of the net minimum lease payments as of June 30, 2001 are as follows:

<u>Year</u>	<u>Amount</u>
2002	\$33,952
2003	25,299
2004	2,569
2005	-0-
2006	-0-
Later Years	<u>-0-</u>
Total Minimum Lease Payments	\$61,820
Less: Executory Cost	<u>19,339</u>
Net Minimum Lease Payments	<u>\$42,481</u>
Less: Interest	<u>5,874</u>
Present Value of Minimum Lease Payments	<u>\$ 36,607</u>
Current Portion	\$19,340
Long-term Portion	<u>17,267</u>
Total	<u>\$36,607</u>

Interest rates on capitalized leases vary from 6% to 78.41% and are based upon negotiations between each Facility Administrator and the lessor. Due to budgetary constraints, it is sometimes advantageous or necessary for some administrators to secure leases (albeit high interest) as opposed to making capital outlays because lump sum funding is not always available.

8. LONG TERM LOANS PAYABLE

The Department's facilities had entered into various installment purchase contracts to finance the acquisition of equipment. The length of these purchase agreements ranged from 3 to 5 years and the interest rate charges were from 4.38% to 12%. The Department paid off the FY 2000 Balance of \$68,525 during FY 2001.

9. CONTRIBUTIONS TO PENSION PLAN

The Department contributes to a defined benefit plan administered by the Virginia Retirement System. The Virginia Retirement System also administers life insurance and health related plans for retired employees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

10. OPERATING LEASES

The Department is also committed under various operating leases for equipment. In general, these leases are short term in nature. As of June 30, 2001, the Department has the following total future minimum rental payments due:

<u>Year</u>	<u>Amount</u>
2002	\$229,429
2003	76,616
2004	23,782
2005	8,472
2006	6,354
Later Years	<u>-0-</u>
Total Minimum Lease Payments	\$344,653
Less: Executory Costs	<u>72,348</u>
Net Minimum Rental Payments	<u>\$272,305</u>

11. SURETY BOND

Employees of the Department are covered by a Faithful Performance Duty Bond administered by the Division of Risk Management, Commonwealth of Virginia, with liability limits of \$500,000 for each occurrence. Information relating to this policy is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

12. CONTINGENCIES

Medicare cost reports submitted to the Medicare program together with the related statistics which support cost allocations to the program for the fiscal year ended June 30, 2001 have not been reviewed by the fiscal intermediary. Acceptance and review of these cost reports could result in adjustments to settlements and a liability of the Department to the Medicare program. The effects of these reviews cannot be determined at this time.

Medicaid cost reports submitted for final settlement for the fiscal year ended June 30, 2001 have not been reviewed by the intermediary. Acceptance and review of these cost reports could result in adjustments to the settlements and a liability of the Department to the Medicaid program. It is the opinion that adjustments, if any, resulting from this review will not be material.

The Department is involved in several lawsuits arising in the ordinary course of operations. It is the Department's opinion that any losses incurred as a result of known claims existing as of June 30, 2001 will not be material.

13. APPROPRIATIONS FROM THE COMMONWEALTH

The Appropriations Act specifies that unexpended appropriations from the General Fund of the Commonwealth shall revert, except as specifically provided by the General Assembly, at the end of a biennium. For years ending at the middle of the biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the Department's facilities or Central Office for expenditure.

The original appropriation from the General Fund of the Commonwealth has been adjusted as follows:

FY 2001, Original Appropriation, as of July 1, 2000	\$430,233,766
<u>Administrative Adjustments:</u>	
General Fund Regrades	6,423,560
Carry Forward Balances	2,494,633
Transfers to Comprehensive Services Act	<6,506,008>
Transfers to Dept of Medical Assistance Services	<15,239,784>
VRS Reduction	<2,037,247>
Health Insurance Premium Increases	2,019,289
Deferred Compensation Match	700,786
Transfers to Other State Agencies	<5,573,302>
Productivity and Other Savings	<4,075,362>
Final (Adjusted) Appropriation, June 30, 2001	<u>\$408,440,331</u>

14. COLLECTIONS FOR THE GENERAL FUND OF THE COMMONWEALTH

The Department's facilities collect revenues for the General Fund of the Commonwealth. These collections are reported under Other Revenue in the Statement of Operations. These funds are deposited by each facility directly with the Treasurer of Virginia for credit to the Commonwealth's General Fund and are not available to meet current operating needs. The categories of collection are as follows:

Hospital Food Services	\$ 12,957
Hospital Sales	1,516
Rental of Quarters	15,310
Miscellaneous Revenue	2,354
Prior Year Expenditure Refunds	<u>88,239</u>
Total	<u>\$120,376</u>

15. NET PATIENT SERVICE REVENUE

The Department's mental health and mental retardation facilities provide a significant amount of services which are deemed charitable and are subsidized by state General Fund appropriations. Of the total charges of \$485,914,483 for fiscal year 2001, \$214,080,627 were deemed to be charitable services. Charitable writeoffs occur when no third party resources are available and investigation of client resources indicate the client is unable to pay full rate charges or reduced charges determined in accordance with a sliding fee scale. This amount has been deducted from gross patient service revenue. The following chart presents the detail calculations of net patient service revenue for FY 2001 and FY 2000, respectively.

**Net Patient Service Revenue
FY 2001 and FY 2000**

	<u>FY 2001</u>	<u>FY 2000</u>	<u>Change</u>
Gross Patient/Resident Charges	\$485,914,483	\$451,337,174	\$34,577,309
Less: Charity Allowance	<214,080,627>	< 195,967,968>	<18,112,659>
Plus: Third Party Cost Settlements Receivable	34,033,948	36,481,359	<2,447,411>
Less: Contractual Adjustments	<32,611,726>	< 8,632,171>	<23,979,555>
Net Patient Service Revenue	<u>\$273,256,078</u>	<u>\$283,218,394</u>	<u><\$9,962,316></u>

16. EXPENSE PROGRAM DESCRIPTIONS

The Department reports expenses under various state programs. These programs are briefly described below.

State Health Services (430):

Efforts to provide direct health care services to individuals and families through state-operated facilities.

Administrative and Support Services (449):

Efforts to provide overall administrative and logistical support services. This includes general management, computer services, food services, housekeeping, laundry, physical and power plant, and training.

Financial Assistance for Health Services (445):

Efforts to provide financial aid to localities for the provision of local health services. This includes CSB funding for mental health, mental retardation, substance abuse, and administrative services.

Secure Confinement (357):

Efforts to hold patients in secure confinement until such time as they can be returned to the community. This includes the forensic unit at Central State Hospital.

Instruction (197):

Efforts to provide academic elementary and secondary education. This includes basic skills and knowledge instruction as well as occupational-vocational instruction.

Community Health Services (440):

Efforts to provide health care services to individuals and families through community-based services.

Local Facility Expenses :

Expenses associated with unrestricted local funds such as patient welfare, work activity, and donation funds.

Regulation of Public Facilities (561):

Efforts to inspect, certify, and regulate public facilities and services, both publicly and privately operated.

16. EXPENSE PROGRAM DESCRIPTIONS, continued**Health, Research, Planning, and Coordination (406):**

Efforts to promote the public health through research planning, and coordination of services and activities.

Personnel Management Services (704):

Efforts to provide personnel management services necessary for ongoing operations of government.

Vending Facilities, Snack Bars, and Cafeterias (806):

Efforts to provide food services.

Financial Assistance for Individual and Family Services (490):

Efforts to provide financial aid to state and local agencies for individual and family services.

Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services
Schedule of Expenditures of Federal Awards
for the Fiscal Year Ended June 30, 2001

	<u>CFDA</u>	<u>Balance 7/1/00</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>Balance 6/30/01</u>
<u>MONETARY ASSISTANCE</u>					
U.S. DEPT OF AGRICULTURE					
Pass Through Payments (VA Dept of Education):					
National School Breakfast Program	10.553	\$28,405	24,515	22,715	\$30,205
National School Lunch Program	10.555	29,952	43,619	38,969	34,602
U.S. DEPT OF HEALTH & HUMAN SERVICES					
Direct Payments:					
CMHS Child Mental Health Service Initiation	93.104	0	193,151	193,151	0
Technical Assistance for CMHS Block Grant Activity	93.119	0	32,116	32,116	0
Project for Assistance in Transition from Homelessness	93.150	0	623,609	623,609	0
Consolidated Knowledge Development & Application	93.230	0	178,193	178,193	0
Comparing Ways of Collecting SA Outcome Data	93.238	0	419,390	419,390	0
CMHS Block Grant	93.958	0	8,161,159	8,161,159	0
Substance Abuse Prevention & Treatment Block Grant	93.959	0	39,042,771	39,042,771	0
Mental Health Disaster Assistance & Emergency Mental Health	93.982	0	21,917	21,917	0
Needs Assessment Prevention	93.000	0	93,394	93,394	0
Alcohol & Drug Needs Assessment (contract# 270-95-0005)	93.000	0	197,638	197,638	0
U.S. DEPT OF EDUCATION: Grants for Infants & Families	84.181	386	8,749,504	8,749,889	1
U.S. DEPT OF HEALTH: Internet Access Grant	93.879	16,697	0	0	16,697
U.S. DEPT OF HOUSING & URBAN DEV: Shelter Care Plus	14.238	0	102,500	102,500	0
Board for People with Disabilities	93.630	0	47,119	47,119	0
PASS THROUGH GRANTS:					
VA Dept of Education: Adult Education	84.002	(3,654)	11,255	5,091	2,510
VA Dept of Education: Educ. for Handicapped Children	84.009	3,760	31,312	31,763	3,309
VA Dept of Health: AIDS Activity	93.944	0	240,835	240,835	0
VA Dept of Criminal Justice: Res. Alcohol & Drug Treatment	16.593	0	4,041	4,041	0
VA Dept of Criminal Justice: Drug Control & System Improvement	16.579	20	0	0	20
VA Dept of Emergency Services: 99 Disaster Awareness	83.539	0	49,999	49,999	0
VA Dept of Emergency Services: 99 Disaster Awareness	85.544	0	19,099	19,099	0
VA Dept of Social Services: Child Care & Development	93.575	0	477,028	477,028	0
VA Dept of Social Services: TANF/LINK	17.253	0	321,227	321,227	0
VA Dept of Med. Asst. Services: Medical Assistance Program	93.778	(419)	1,126,831	1,126,831	(419)
Non-categorical Grants		<u>20,411</u>	<u>0</u>	<u>0</u>	<u>20,411</u>
Total Monetary Assistance		\$95,558	\$60,212,222	\$60,200,444	\$107,336
<u>NONMONETARY ASSISTANCE</u>					
U.S. DEPT OF AGRICULTURE					
Pass Through Payments: VADACS Food Distribution Program	10.550	<u>35,019</u>	<u>38,669</u>	<u>54,019</u>	<u>19,669</u>
TOTAL FEDERAL ASSISTANCE		<u>\$130,57</u>	<u>\$60,250,89</u>	<u>\$60,254,46</u>	<u>\$127,005</u>

ACKNOWLEDGMENTS

This annual report was prepared under the direction of Joy Yeh, CPA, Ph.D, Assistant Commissioner, Financial Administration and Kenneth M. Gunn, Jr., CGFM, CPA, Director, Office of Financial Reporting and Compliance. Annual financial statement preparation is very much a team effort and could not have been possible without the diligent efforts of facility financial management staff and those offices in the Division of Financial Administration at the Central Office.

The team involved in preparing this report include: Nauri D. Ahmed, CGFM, CPA; Gerald M. Spivey, CGFM, CFE; and Garland A. Adkins, Jr., CFE, CPA. These individuals are Financial Management Analysts within the Office of Financial Reporting and Compliance. Brenda Mantlo, Executive Secretary to Dr. Yeh, was also instrumental in the production of this report.

The Auditor of Public Accounts (APA) has audited previous years' financial statements and operations of the Department. These audits have been favorable for such a large State agency. The Department has been committed to cooperating as best it can, within its resources, to comply and implement all APA recommendations. Copies of prior years' audit reports may be obtained by writing or contacting the APA. The address is: Auditor of Public Accounts, P.O. Box 1295, Richmond, VA 23219. The phone number for the APA is (804) 225-3350.